

RESOLUTION 05-05

RESOLUTION APPROVING PROPOSED AMENDMENTS TO REGULATIONS

WHEREAS, the California Housing Finance Agency (the "Agency") through its Board of Directors (the "Board") is authorized to adopt and, where appropriate, to amend or repeal regulations; and

WHEREAS, the Board has determined that the proposed repeal of certain regulations, and amendments to certain Agency regulations, as attached hereto, are necessary and appropriate for adoption by the Agency,

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

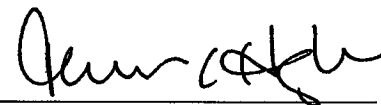
1. The attached amendments to the Agency's regulations, incorporated herein by reference, concerning (i) Title 25, California Code of Regulations, section 13302 (relating to procedures for Board approval of contracting), and (ii) Title 25 California Code of Regulations section 11101, (concerning qualification of housing sponsors), are hereby approved.

2. The attached repeal of Title 25, California Code of Regulations, Chapter 10, Article 2, Sections 19200, 19201, 19202, 19203, 19204, 19205, 19206, 19207, and Chapter 10, Article 3, Sections 19300 and 19301, and Chapter 10, Article 4, Section 19400, is hereby approved.

3. The staff is directed to give public notice, conduct any required public hearing and take such other action as may be necessary or proper for the adoption by the Agency of such amended regulations. The staff is authorized to make non-material revisions to these amendments, without further Board approval, as may be appropriate in the course of promulgating these amendments.

I hereby certify that this is a true and correct copy of Resolution 05-05 adopted at a duly constituted meeting of the Board of Directors of the Agency held on January 13, 2005, at Millbrae, California.

ATTEST:



Secretary

Title 25, Division 2, Chapter 10, Article 2, § 19200 of the California Code of Regulations is hereby repealed:

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**§ 19200. Loans Eligible for Insurance.**

~~The California Housing Finance Agency (Agency") may insure the following types of loans:~~

~~(a) Loans to finance the construction, acquisition, rehabilitation or improvements to single family residential structures.~~

~~(b) Loans to finance the construction, acquisition, rehabilitation or improvements to rental housing developments.~~

**AUTHORITY:**

Note: Authority cited: *Section 51050(e), Health and Safety Code*. Reference: *Section 51654, Health and Safety Code*.

**HISTORY:**

1. Repealer of Article 2 (Sections 19200-19209) and new Article (Sections 19200-19207) filed 6-8-83; effective thirtieth day thereafter (Register 83, No. 24). For prior history, see Register 78, No. 33.
2. Amendment of subsections (a) and (b), repealer of subsection (c) and amendment of Note filed 3-30-2004; operative 3-30-2004 pursuant to *Government Code section 11343.4* (Register 2004, No. 14).

Title 25, Division 2, Chapter 10, Article 2, § 19201 of the California Code of Regulations is hereby repealed:

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**§ 19201. Loan Insurance Premiums, Other Fees and Charges.**

~~—The Agency will after public hearings adopt from time to time insurance premium charges for Agency insurance. Such premiums may vary with the type of loan insured and type of coverage provided by the Agency.~~

~~The Agency may charge or permit others to charge reasonable fees, charges or premiums, for appraisal, inspection, documentation, recording, application, commitment, pool insurance, legal and credit verification services or expenses incurred in connection with the issuance of Agency insurance.~~

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e), 51650 and 51855, Health and Safety Code*. Reference: *Section 51855, Health and Safety Code*.

Title 25, Division 2, Chapter 10, Article 2, § 19202 of the California Code of Regulations is hereby repealed:

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**§ 19202. Housing Development with Commercial Space.**

~~—The Agency may insure loans for housing developments which contain commercial space. Any such housing development may be insured only if:~~

~~(a) The commercial space constitutes less than 10 percent of the net rentable interior space of the housing development. Space devoted to congregate facilities (dining, recreation, laundry, etc.) which serve primarily the tenants of housing developments shall not be deemed commercial space for purposes of this section.~~

~~(b) An appraisal satisfactory to the Agency demonstrates that the rentals from the commercial space will contribute to the economic viability of the housing development and marketing data is furnished to the Agency substantiating the demand for the proposed commercial services or products to be generated in the commercial space.~~

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e) and 51650, Health and Safety Code*. Reference: *Sections 51334(c) and 51852(g), Health and Safety Code*.

Title 25, Division 2, Chapter 10, Article 2, § 19203 of the California Code of Regulations is hereby repealed:

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**§ 19203. Casualty Insurance Requirements.**

~~—No loan will be insured by the Agency unless the structure for which the loan is made is insured for damage caused by fire and other causes generally insured under extended coverage policies of casualty insurance. Additionally, the Agency may require earthquake, flood or other special risk insurance (including insurance against loss of rents) as a condition to insuring any loan.~~

~~Required casualty insurance shall be in an amount at least equal to the amount of any loan for the structure for which the Agency provides insurance coverage.~~

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e) and 51650, Health and Safety Code*. Reference: *Section 51852(m), Health and Safety Code*.

Title 25, Division 2, Chapter 10, Article 2, § 19204 of the California Code of Regulations is hereby repealed:

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**§ 19204. Insured Loans Involving Rehabilitation or Property Improvement Loans.**

~~—No loan involving rehabilitation, or a property improvement loan for a structure, will be insured unless, upon completion of such rehabilitation or improvements, the structure meets or exceeds applicable local building code standards. Loans for rehabilitation of residential hotels may be insured, however, if upon completion of the rehabilitation the structure will meet the State's model code for rehabilitation of residential hotels as described in Section 50519 of the Code.~~

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e) and 51650, Health and Safety Code*. Reference: *Section 51852(j), Health and Safety Code*.

Title 25, Division 2, Chapter 10, Article 2, § 19205 of the California Code of Regulations is hereby repealed:

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**§ 19205. Loan Terms--Maximum Length and Loan to Value Ratio.**

~~The Agency will not insure loans which have a longer term or higher loan to value ratio than set forth below. The maximum loan term is in all cases to be no greater than 4/5 of the economic life of a structure even if that period is less than the maximum set forth herein. In cases where the structure is older than five years, the Agency will require an appraisal to establish the economic life of the structure.~~

	Maximum Loan Term	Maximum Loan to Value Ratio
<del>Loans for single family residential structures (other than property improvement loans not involving an acquisition or refinance of an existing loan).</del>	32 years	107%*
<del>Property improvement loans for single family residential structures not involving an acquisition or refinance of an existing loan.</del>	15 years	90%*
<del>Loans for multifamily rental housing developments.</del>	40 years	90%*

~~\* Total of all loans on property including property improvement and rehabilitation loans.~~

**AUTHORITY:**

Note: Authority cited: *Section 51050(e), Health and Safety Code*. Reference: *Section 51652, Health and Safety Code*.

**HISTORY:**

1. Amendment of section and Note filed 3-30-2004; operative 3-30-2004 pursuant to *Government Code section 11343.4* (Register 2004, No. 14).

Title 25, Division 2, Chapter 10, Article 2, § 19206 of the California Code of Regulations is hereby repealed:

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**§ 19206. Maximum--Loan Insurance.**

~~The maximum percentage of any loan insured by the Agency will not exceed:~~

<del>Loans for single family</del>	<del>50% of any loan</del>
<del>residential structures</del>	<del>secured by a</del>
<del>(other than property</del>	<del>first trust</del>
<del>improvement loans not</del>	<del>deed lien or</del>
<del>involving an acquisition or</del>	<del>equivalent,</del>
<del>refinance of an existing</del>	<del>100% of any</del>
<del>loan).</del>	<del>other loan.</del>
<del>Property improvement loans</del>	<del>100% of the loan.</del>
<del>for single family residential</del>	
<del>structures not involving an</del>	
<del>acquisition or refinance of</del>	
<del>an existing loan.</del>	
<del>Loans for multifamily rental</del>	<del>100% of the loan.</del>
<del>housing developments.</del>	

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e) and 51650, Health and Safety Code*. Reference: *Section 51852(b), Health and Safety Code*.



Title 25, Division 2, Chapter 10, Article 2, § 19207 of the California Code of Regulations is hereby repealed:

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**§ 19207. Establishment of Minimum Loan Insurance Reserve.**

~~—The Agency hereby establishes as the loan insurance reserve requirement, to be maintained in one or more loan insurance reserve accounts, in the Insurance Fund the amount which is at any time equal to the sum of (1) insurance benefits due and payable as of any such date pursuant to contracts of loan insurance, and (2) five percent (5%) of the sum of the aggregate insurance outstanding under contracts of loan insurance and the aggregate amounts to be insured under the Agency's commitments to insure loans.~~

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e), 51608 and 51650, Health and Safety Code*. Reference: *Section 51608, Health and Safety Code*.

Title 25, Division 2, Chapter 10, Article 3, § 19300 of the California Code of Regulations is hereby repealed:

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**§ 19300. Agency Bond Insurance.**

~~The Agency may enter into agreements with Local Public Entities to insure revenue bonds issued by such Local Public Entities to provide financing for housing construction or acquisition and rehabilitation primarily for persons and families of low or moderate income. Any such agreement shall be subject to those terms and conditions of Section 51900 of the Code as shall be set forth in the agreement between the Agency and the Local Public Entity. Additionally, any such agreement will provide that the Local Public Entity furnish the Agency with appropriate legal opinions from counsel satisfactory to the Agency that the Local Public Entities' bond issue complies with all applicable Federal laws and regulations concerning tax exempt housing bonds. The Agency may further require that the bonds be rated at a rating level satisfactory to the Agency by one or more nationally recognized firms issuing ratings on municipal debt obligations.~~

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e), 51650 and 51900, Health and Safety Code*. Reference: *Sections 51900 and 51901, Health and Safety Code*.

**HISTORY:**

1. Amendment filed 8-17-78; effective thirtieth day thereafter (Register 78, No. 33).
2. Repealer of Article 3 (Sections 19300-19311) and new Article 3 (Sections 19300 and 19301) filed 6-8-83; effective thirtieth day thereafter (Register 83, No. 24). For prior history, see Register 78, No. 42.

Title 25, Division 2, Chapter 10, Article 3, § 19301 of the California Code of Regulations is hereby repealed:

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**§ 19301. Establishment of Minimum Bond Insurance Reserve.**

~~The Agency hereby establishes as the bond insurance reserve requirement, to be maintained in one or more bond insurance reserve accounts, in the Insurance Fund the amount which is at any time equal to the sum of (1) insurance benefits due and payable as of any such date pursuant to contracts of bond insurance and (2) five percent (5%) of the sum of the aggregate insurance outstanding under contracts of bond insurance and the aggregate amounts to be insured under the Agency's commitments to insure bonds.~~

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e), 51605, 51608 and 51650, Health and Safety Code.*  
Reference: *Section 51605, Health and Safety Code.*

Title 25, Division 2, Chapter 10, Article 4, § 19400 of the California Code of Regulations is hereby repealed:

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**§ 19400. Insurance Requirements for Homeownership Interest-Reductions Assistance Program.**

~~Any loan in excess of 80 percent of the purchase price of a dwelling unit shall be insured by the Federal Housing Administration, Veterans Administration, private mortgage insurers authorized to transact business in California, or some combination of any of the aforementioned insurers, at such level as is required by an institutional investor purchasing such loan or the beneficial interest in any such loan. This section shall apply only to loans originated under Chapter 6.8 of Division 31 of the Code and shall have no other application.~~

**AUTHORITY:**

Note: Authority cited: *Sections 51050(e), 51345(b) and 51650, Health and Safety Code.*  
Reference: *Section 51345(b), Health and Safety Code.*

**HISTORY:**

1. New Article 4 (Section 19400) filed 1-28-83 as an emergency; effective upon filing (Register 83, No. 5). A Certificate of Compliance must be transmitted to OAL within 120 days or emergency language will be repealed on 5-28-83.
2. Certificate of Compliance including amendment transmitted to OAL 5-5-83 and filed 6-8-83 (Register 83, No. 24).

Title 25, Division 2, Chapter 2, Article 2, § 11101 of the California Code of Regulations shall be amended to read as follows:

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**§ 11101. Qualification of Housing Sponsors for Rental Housing Developments to be Constructed.**

~~Before any person may require a commitment from the agency or from a qualified mortgage lender for a construction or mortgage loan for a rental housing development to be constructed, said person must first apply for and obtain certification that said person is qualified to be the housing sponsor for a particular rental housing development. Each person applying to be so certified shall submit to the agency such information, including but not limited to, financial statements operating history, opinions of counsel, record of compliance with federal and state "Equal Opportunity," "Employment of Project Area Residents and Contractors" and "Affirmative Fair Housing Marketing" regulations, and details concerning the proposed housing development, as required by the agency to enable the agency to make the determinations required in this section. Application for such certification may be made as part of the application of the person for a construction or mortgage loan.~~

Before the agency may make or approve a commitment to any person for a construction or mortgage loan, the agency shall determine, taking into account the nature of the housing development and the person (whether a natural person or a public or private entity), that said person

- (a) Is credit worthy,
- (b) Is financially responsible,
- (c) Is (if not a natural person) duly organized and qualified to do business in this state,
- (d) Is capable of proceeding promptly to construct and complete the housing development,
- (e) Has the ability to operate the housing development,

(f) Has a commitment to construct and operate the housing development in accordance with all applicable federal and state "Equal Opportunity," "Employment of Project Area Residents and Contractors" and "Affirmative Fair Housing Marketing" regulations.

**AUTHORITY:**

Note: Authority cited: Sections 50955, 51050(e) and 51101, Health and Safety Code. Reference: Sections 50051, 50094 and 50100, Health and Safety Code.

Title 25, Division 2, Chapter 4, Article 1, § 13302 of the California Code of Regulations shall be amended to read as follows:

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**§ 13302. Approval of Contractual Agreements and Debt Obligations.**

(a) The Board of Directors shall authorize any sale of obligations or securities or other debt obligations and shall approve other major contractual agreements. Any other contractual agreements or debt obligations may be approved by the Executive Director pursuant to this section. The Board of Directors may also delegate any contracting authority to the Executive Director on terms provided by Board resolution.

~~(b) "Other contractual agreements or debt obligations," as used in subdivision (a) above, means any contractual agreement or debt obligation which imposes a financial obligation or liability on the Agency which does not exceed \$500,000. In the event that a contractual agreement or debt obligation fails to state a definite amount of financial obligation or liability, then the financial obligation or liability imposed by it shall be determined by the General Counsel pursuant to subdivision (g) below.~~

(b) "Major contractual obligations" shall mean operating agreements or obligations which in any fiscal year exceed, or are reasonably expected to exceed the higher of \$1,000,000, or such other sum as the Board of Directors may establish from time to time by resolution. Obligations which in any fiscal year do not exceed, or are not reasonably expected to exceed the amount established above may be approved by the Executive Director. The Board of Directors may approve any major contractual obligation either by resolution; or by approving the Agency's annual operating budget, provided that any such major contractual obligation is set forth in a line item in such budget. If the Executive Director determines that there is an emergency, and that such emergency requires the Agency to enter into a major contractual obligation on an expedited basis, the Executive Director may approve the obligation, but shall bring the obligation to the Board for review and ratification at the next regularly scheduled Board meeting.

(c) The Executive Director may delegate his/her authority to approve contractual agreements or debt obligations to any employee of the Agency ~~to be exercised in the event of the absence or other unavailability of the Executive Director.~~ Except in the event of extraordinary circumstances, any such delegation of authority shall be in writing and a copy filed with the General Counsel prior to the exercise of such authority. Under extraordinary circumstances, the Executive Director may delegate orally his/her authority to approve contractual agreements or debt obligations. In delegating his/her authority to approve contractual agreements or debt obligations the Executive Director may impose limitations and/or conditions on such authority and may permit further delegation of such authority to any other employee of the Agency.

~~(d) "Absence or other unavailability of the Executive Director," as used in subdivision (c) above, means circumstances under which the Executive Director cannot be located or communicated with by the applicable Agency employee(s) or such other circumstances as the Executive Director shall determine are sufficient to justify a delegation of his/her authority to approve contractual agreements or debt obligations. A determination by the Executive Director that he/she is unavailable may be validly communicated, orally or in writing, to any employee of the Agency.~~

(continued)

Title 25, Division 2, Chapter 4, Article 1, § 13302 of the California Code of Regulations shall be amended to read as follows:

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~~(e)~~ (d) "Extraordinary circumstances," as used in subdivision (c) above, means such circumstances as the Executive Director shall determine are sufficient to justify an oral delegation of his/her authority to approve contractual agreements or debt obligations. A determination by the Executive Director that extraordinary circumstances exist may be validly communicated, orally or in writing, to any employee of the Agency.

~~(f)~~ (e) The Executive Director may ratify the purported approval by any employee of the Agency of any contractual agreements or debt obligations which would have been within the authority of the Executive Director to approve at the time of such purported approval.

~~(g)~~ (f) No sale of obligations or securities or debt obligations or contractual agreements shall be approved unless and until they have been approved by the General Counsel as to legal sufficiency. The General Counsel shall determine which contractual agreements or debt obligations require Board of Director approval as provided herein and which do not. The General Counsel may issue opinions which interpret this section and any employee of the Agency may act in reliance upon such opinion. The General Counsel may delegate his/her authority under this section to other attorneys employed by the Agency.

**AUTHORITY:**

Note: Authority cited: *Section 51050(e), Health and Safety Code*. Reference: *Sections 7 and 50914, Health and Safety Code*.

**HISTORY:**

1. New section filed 10-16-85; effective upon filing pursuant to Government Code Section 11346.2(d) (Register 85, No. 42).